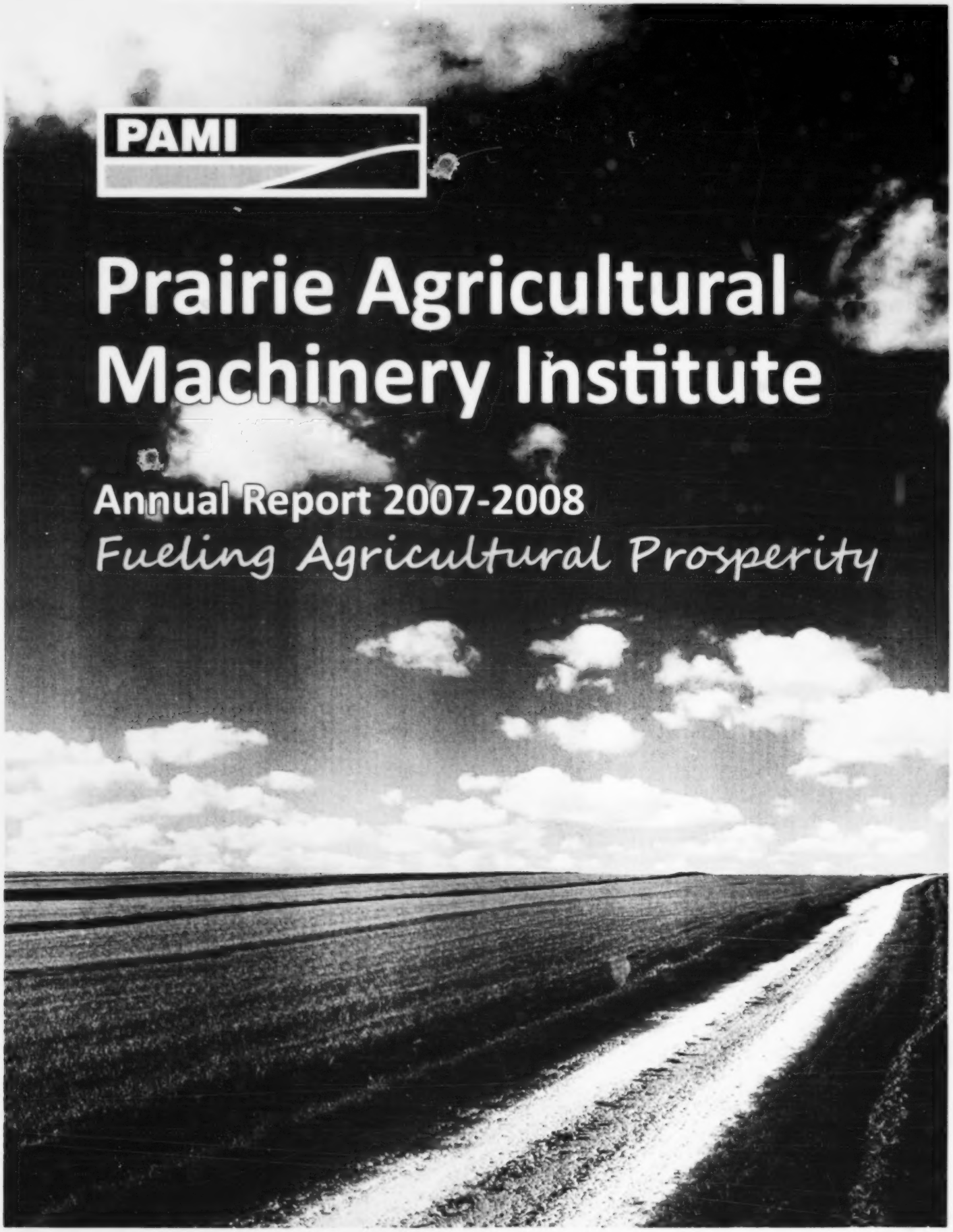

PAMI
Prairie Agricultural Machinery Institute
Annual Report 2007-2008
Fueling Agricultural Prosperity

Prairie Agricultural Machinery Institute

Annual Report 2007-2008

Fueling Agricultural Prosperity

About PAMI

Established in 1975, the Prairie Agricultural Machinery Institute (PAMI) is an applied research, development and testing organization that provides a unique resource to farmers and agricultural machinery manufacturers on the Canadian prairies.

After more than 30 years, PAMI's client base has expanded to include the cattle, transportation, military/peacekeeping, forestry and mining industries. PAMI supports this client base with a staff of 56 engineering, technical and administrative specialists. Services include design, development, fabrication and evaluation of machinery and components, as well as value-added process reviews, pilot-scale trials and optimization.

PAMI provides its services through technical divisions in Humboldt and Lanigan, Saskatchewan, and Portage la Prairie, Manitoba. PAMI is ISO 9001:2000 registered.

With a history of independent, third-party farm equipment evaluation and development, spurring technological advances in all areas of traditional and new farming practice, PAMI is recognized as a farm technology leader around the world.

PAMI Board of Directors

Lorne Christopherson, Chair
Saskatchewan Producer

Bill Zettler, Vice-Chair
Manitoba Producer

Dr. Abdul Jalil
Saskatchewan Ministry of Agriculture

Dr. Allan Preston
Manitoba Agriculture, Food and Rural Initiatives

Gary Anderson
Agricultural Manufacturers of Canada

Contents

3 Letters of Submission
4 PAMI Organizational Chart
5 Chairman's Message
6 President's Message
7 Strategic Direction
8 PAMI Highlights 2007-08
24 The Year at a Glance
25 Management and Auditor's Reports
27 Financial statements
28 Notes to Financial Statements

Letters of Submission

PAMI

Humboldt, Saskatchewan
March 31, 2008

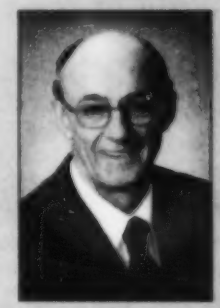
The Honourable Bob Bjornerud
Minister of Agriculture,
Government of Saskatchewan

The Honourable Rosann Wowchuk
Minister of Agriculture, Food and Rural Initiatives,
Government of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2008.

Respectfully submitted,

Lorne Christopherson
Board of Directors Chair
Prairie Agricultural Machinery Institute



The Honourable Bob Bjornerud
Minister of Agriculture,
Government of Saskatchewan

The Honourable Rosann Wowchuk
Minister of Agriculture, Food
and Rural Initiatives,
Government of Manitoba

March 31, 2008

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor,
Province of Saskatchewan
Chancellor of the Saskatchewan Order of Merit

Your Honour:

I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2008.

It includes the financial statements audited by the Provincial Auditor.

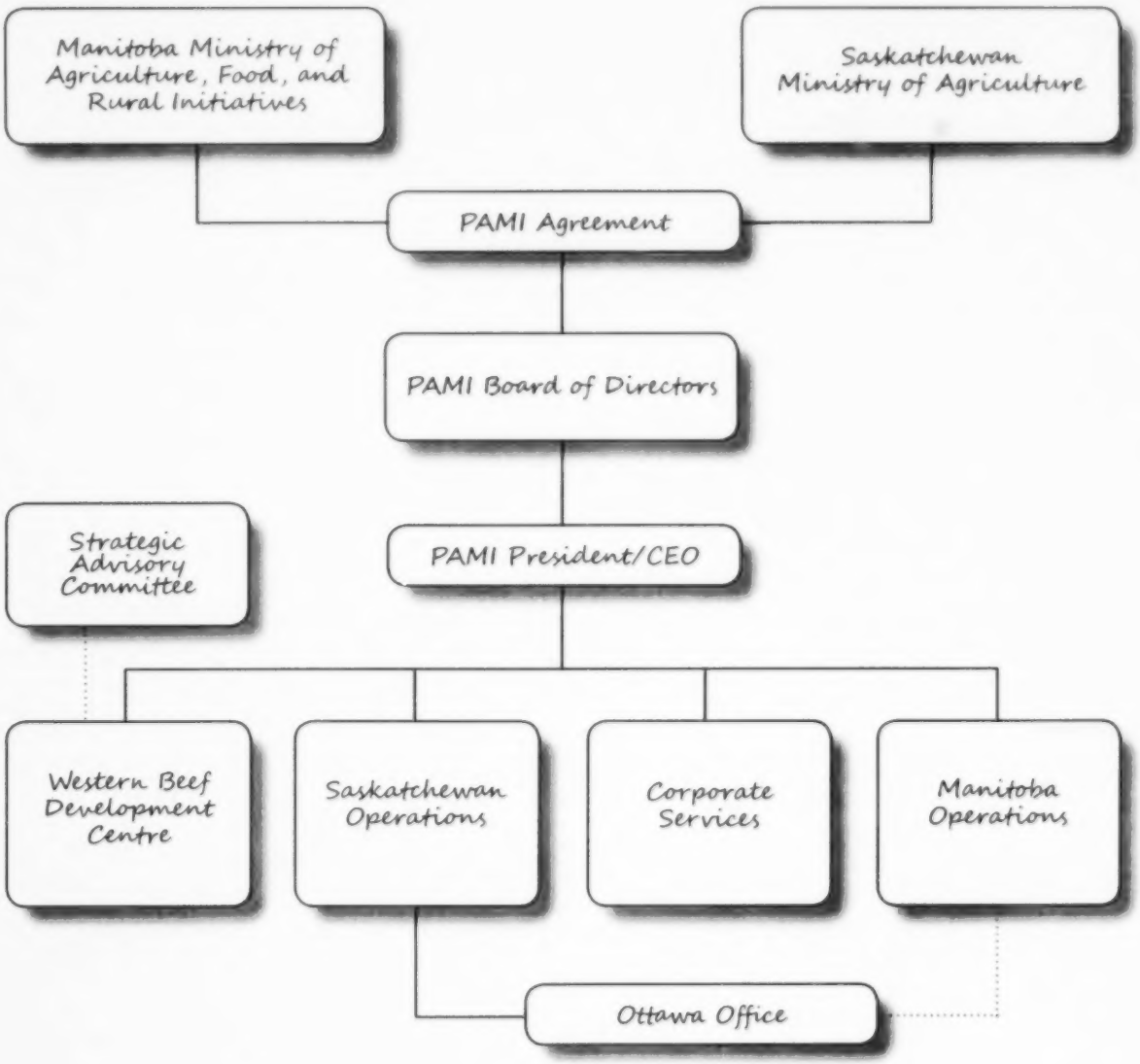
Respectfully submitted,

Bob Bjornerud
Minister of Agriculture
Government of Saskatchewan

Prairie Agricultural Machinery Institute

Mission

Drive economic development by applying technologies in the agriculture sector in Manitoba and Saskatchewan.



Chairman's Message

It has been an honour to serve, for a second year, as Chair of the PAMI Board of Directors. This is a forward-thinking organization that respects and takes pride in its role in agricultural prosperity and rural development.

It is important to embrace the changes we are faced with and truly consider the total effects of development. Ten years ago, if we needed more power, we just added horse power. We didn't give much thought to the environmental costs or the economic costs of fuel. PAMI has to take a systems approach to improving the way the agriculture industry does business.

We need to grow with our surroundings, and to that end PAMI is diversifying. Our organization's original work was in primary production, and we are now diversifying beyond the farm gate to include value-added bio-energy and products.

Our environment is changing within our organization as much as it is in the field. We are growing, expanding. This year, the Saskatchewan Ministry of Agriculture and Agriculture and Agri-Food Canada granted PAMI $3.3 millon to establish an Applied Bio-energy Centre within our Saskatchewan Operations. Several new projects are underway already, including farm energy conservation research, exploration of Short Rotation Coppice Willow biomass as a fuel for heating systems and the development of a biodigester.

With all of the research we conduct, products we test and design and ideas we manage, it is apparent that accountability plays an important role in the decisions that we make. Informing our stakeholders and letting them inform our work is one of the greatest collaborations we could take part in. PAMI leverages our governments' investment in technology and research by providing valuable information services to all of our stakeholders.

There are so many people involved in PAMI's success. In particular, it is important that we commend our president and his corporate management team, staff, collaborators and contractors and other stakeholders for their hard work and dedication to PAMI. We also thank the Western Beef Development Centre (WBDC) Strategic Advisory Committee for their contributions.

As Chair of the PAMI Board of Directors, I also take pride in thanking our directors for their commitment to PAMI over the past couple of years. Inducted as members of the PAMI board in

2006, this group of strategists have worked together to move PAMI effectively along the right path.

PAMI takes our responsibility to our public seriously, and I am confident that with every step forward we take, we are *fueling agricultural prosperity*.

Lorne Christopherson
Chair, PAMI Board of Directors

President's Message

The Prairie Agricultural Machinery Institute has always been attuned to changes in the world food economy. Now more than ever, PAMI is driven by new challenges regarding efficiency and the physical environment in which we live.

With a stronger demand on agricultural yields to feed a growing world population, Canadian producers are seeking new ways of doing things. PAMI is working with industry, government and academia to explore solutions to agriculture's biggest problems. In agriculture, there is a shift toward non-food agricultural products, and the entire industry is looking at ways to develop products that do not compete for acres.

Through research such as biogas production for various biomass products, crop residue efficiency, the minimizing of machine overlap or the development of solid manure injection applicators, PAMI aims to stay ahead of the trends to best support our industry here in the Prairies.

There is great opportunity to continue technology implementation in agriculture for energy conservation, optimization of fertility resources and the harvesting and processing of energy. In 2007-08, PAMI worked to develop capacity in these areas. This has all been in preparation for the 'roll-out' phase for 2008-09. It is time to leverage PAMI's command of machinery technology to continue fueling agricultural prosperity, while meeting society's expectations of environmental stewardship.

Of course, this level of work cannot be done alone. Key partnerships and relationships with government and industry stakeholders assist PAMI in meeting our goals. The Saskatchewan Ministry of Agriculture and the Manitoba Ministry of Agriculture, Food and Rural Initiatives form the foundation of PAMI's strategic partnerships. The ministries are not only working partners, but strategy leaders.

PAMI also has 28 funders/clients that support Agricultural Research and Agricultural Development. They include producer groups, some of whom are members of the PAMI Board of Directors and the Strategic Advisory Committee. These organizations and representatives give PAMI practical advice regarding the needs of the agriculture industry. These are our stakeholders.

While producer groups play key roles, research partners (e.g., Agriculture and Agri-Food Canada and the Universities of Saskatchewan and Manitoba) are also closely aligned with PAMI because of their roles as drivers of technology, innovation and applied science.

Our people are our force, and we're growing. With nearly 60 employees, PAMI has recently enjoyed a 10 per cent increase in personnel, including the addition of a biofuels engineering specialist to the team. At the same time, we send best wishes to recently retired Errol Cross and to Vice President of Finance and Administration, Barrie Broad, who has served in the role since PAMI's inception.

2007-08 has been an exciting year for PAMI. We've built a lot of momentum, and I'm confident that the future will remain bright for our organization as we continue *fueling agricultural prosperity.*

David Gullacher
President/CEO, PAMI

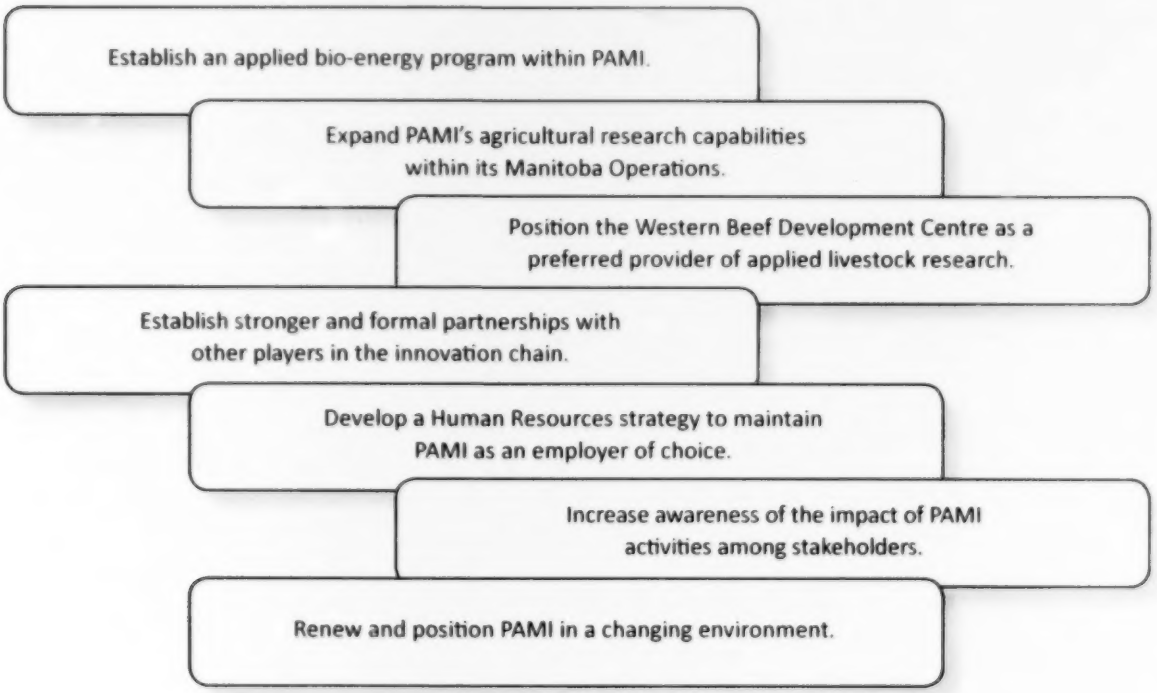
Strategic Direction

The PAMI board and corporate management team met this year to set a strategic direction for the organization. By setting smart, achievable objectives, PAMI moves forward with a strong sense of purpose and vision. Above and beyond PAMI's daily activities, these objectives reflect a strategy for continued growth and optimization of services.

Vision

PAMI is a financially sound organization that has proactively supported Manitoba and Saskatchewan agricultural producers and industry as they shift from traditional commodity production to bio-product development and food development. PAMI has assisted this transformation by providing product development solutions and services to producers, agri-businesses and other industry players.

Objectives


Establish an applied bio-energy program within PAMI.
Expand PAMI's agricultural research capabilities within its Manitoba Operations.
Position the Western Beef Development Centre as a preferred provider of applied livestock research.
Establish stronger and formal partnerships with other players in the innovation chain.
Develop a Human Resources strategy to maintain PAMI as an employer of choice.
Increase awareness of the impact of PAMI activities among stakeholders.
Renew and position PAMI in a changing environment.

Agricultural Production Technologies

Crop production will always be a critical part of meeting the world's needs for bioresources, whether they be food, feed, fibre or fuel. Machinery technologies will be key in securing sustainable production over the vast expanse of the Canadian Prairies.

Skilled at finding the critical balance between efficiencies and environmental stewardship, PAMI is dedicated to providing applied research on production and processing, livestock production, cropping systems and agricultural mechanization.

PAMI aims to provide farmers with innovative strategies for planning and achieving profitable farming operations, while striving to support value-added initiatives with the development of sustainable crop production practices. Providing innovative equipment design and testing and offering full service support to both the farming community and to the agribusiness sector, one of PAMI's objectives is to work towards the most efficient and cost effective solutions for the client.

Harvesting Technologies

PAMI's Harvesting Technologies division is broad in scope. Its applied research involves various crops including cereals, oil seeds, pulses, hay, forage, grass seeds, corn, edible beans and soybeans. All aspects of harvesting, from cutting and gathering to threshing, separating, cleaning, material handling and loss determination, are addressed by the team.

This year, the team tackled a subject that has been receiving considerable attention: industrial use of crop residue, in particular flax straw. Current harvesting procedures compromise the quantity and quality of flax straw, and there would be great value in an alternative harvesting method for flax that could enable producers to provide an increased supply of flax straw at a quality that would be attractive for use by fibre industries.

The Stripper Header Field Trials project was conducted to compare the performance of a stripper header to that of a rigid auger header and a draper header used for harvesting flax. The project also aimed to determine the impact of the header on the performance of both conventional and rotary combines.

Solid Manure Injection

PAMI has developed a device that can transport the product discharged from a manure land applicator and deposit it in a trench created by a coulter opener. This new mode of manure land application has been dubbed 'solid manure injection,' in comparison with liquid manure injection.

In continuation with research work carried out at the University of Saskatchewan, the main objective of the project was to develop a prototype precision applicator to allow for broadcast and subsurface application of solid manure products.

An innovative precision applicator had resulted from the University of Saskatchewan's program, and the project led by Dr. Landry at PAMI brought the technology to the next level by developing the systems required to apply the product directly under the soil surface. The result is a functional field-scale prototype applicator for solid manure that can perform broadcast surface application as well as subsurface application of solid organic fertilizers with improved uniformity of distribution and control of the application rate.

Manure was successfully applied to test plots this year. Preliminary results suggest that there is a positive crop response to the application of manure, and that applying solid manure directly under the soil surface generated yields that are equivalent to other modes of application.

Although the adoption of the technology is still considered risky, experts have determined that the technology provides substantial benefits and is worth further development.

With the assistance of the Industry Liaison Office at the University of Saskatchewan, marketability of the technology was evaluated, and strategies for commercializing the technology are being developed.

PAMI acknowledges the funding support provided by the Agriculture Development Fund of the Saskatchewan Ministry of Agriculture for this ongoing project.

Machinery Guidance

One of the goals of environmental stewardship is to retain and properly manage riparian areas and wetlands in order that they maintain their functions, which are water quality and biodiversity. Unfortunately, because of the meandering nature of watercourses, land that is being farmed adjacent to riparian areas is subject to machinery overlap due to its often irregular shape and the amount of turning required during field operations.

This is known as mechanical overlap, which can result in over application of pesticides and fertilizers. It can also result in increased fuel consumption and emissions. Additionally, weeds are allowed to establish in areas where sprayer application is impossible.

A joint project by PAMI and the Saskatchewan Watershed Authority was developed with the goal of assisting producers to manage and reduce equipment overlap in more efficient and environmentally positive ways.

The specific objective of this project was to initiate a data collection and analysis process. This data led to the production of fact sheets that aid professional staff and producers in determining the most efficient ways to reduce mechanical overlap. The fact sheets can be found on the PAMI website: www.pami.ca/fact_sheets.htm

PAMI acknowledges the funding support provided by the Greencover Canada Technical Assistance Program – Saskatchewan Agricultural Policy Framework – Environmental Chapter.

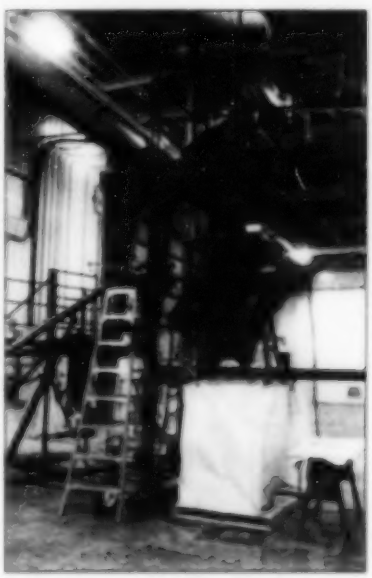
Bio-energy and Products

Canada and the world are reaching out to agriculture and other bioresource sectors to meet its needs for sustainable energy and products. Both of PAMI's key stakeholders, Manitoba and Saskatchewan, take keen interest in PAMI's exploration and application of technologies that pave the way for production and utilization of these new products.

PAMI is building on the foundation provided by its Crops Processing Centre to create applied bio-energy development and testing operations, and has initiated a number of key projects in this regard.

This year, the Saskatchewan Ministry of Agriculture and Agriculture and Agri-Food Canada granted PAMI $3.3 million to establish an Applied Bio-energy Centre. This has enabled PAMI to assemble a team of engineers to enhance its equipment and facilities for research and development work in this area.

Activities this year mark the beginning of PAMI's strategy to establish bio-energy or agri-energy research in both Saskatchewan and Manitoba that provides synergy for the provinces, while meeting specific provincial needs.



Bio-energy Scoping Study

With the $3.3 million PAMI received to develop an agricultural energy and processing centre within its Saskatchewan Operations, the centre aims to achieve its goal to increase the demand for farm products in the emerging bio-economy. Bio-energy is the main focus.

To determine the scope for the centre, PAMI conducted a study that solicited the opinions of a wide array of stakeholders in bio-energy. From government, research partners, academia, producer groups and industry, PAMI sought information regarding: the state of the bio-energy industry, the needs and gaps to be filled within the sector, the roles that various stakeholders would be playing, and the best fit for PAMI within the research community.

The information gathered helped to focus PAMI's initiative into four strategic thrusts, as shown in the illustration below. This will maximize the value added to agriculture and agri-industry through bio-energy development in Saskatchewan.

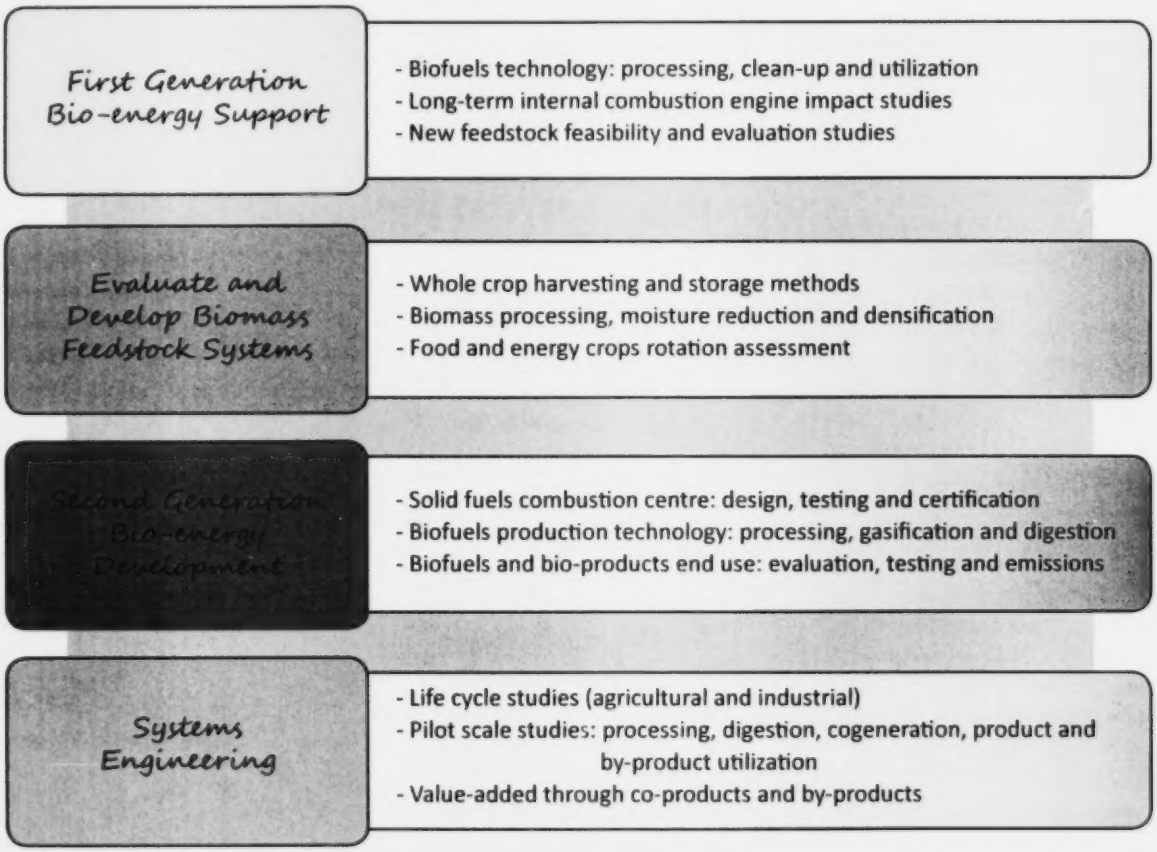
First Generation Bio-energy Support	- Biofuels technology: processing, clean-up and utilization - Long-term internal combustion engine impact studies - New feedstock feasibility and evaluation studies
Evaluate and Develop Biomass Feedstock Systems	- Whole crop harvesting and storage methods - Biomass processing, moisture reduction and densification - Food and energy crops rotation assessment
Second Generation Bio-energy Development	- Solid fuels combustion centre: design, testing and certification - Biofuels production technology: processing, gasification and digestion - Biofuels and bio-products end use: evaluation, testing and emissions
Systems Engineering	- Life cycle studies (agricultural and industrial) - Pilot scale studies: processing, digestion, cogeneration, product and by-product utilization - Value-added through co-products and by-products

Bio-energy Scoping Study

With the $3.3 million PAMI received to develop an agricultural energy and processing centre within its Saskatchewan Operations, the centre aims to achieve its goal to increase the demand for farm products in the emerging bio-economy. Bio-energy is the main focus.

To determine the scope for the centre, PAMI conducted a study that solicited the opinions of a wide array of stakeholders in bio-energy. From government, research partners, academia, producer groups and industry, PAMI sought information regarding: the state of the bio-energy industry, the needs and gaps to be filled within the sector, the roles that various stakeholders would be playing, and the best fit for PAMI within the research community.

The information gathered helped to focus PAMI's initiative into four strategic thrusts, as shown in the illustration below. This will maximize the value added to agriculture and agri-industry through bio-energy development in Saskatchewan.


First Generation Bio-energy Support
- Biofuels technology: processing, clean-up and utilization
- Long-term internal combustion engine impact studies
- New feedstock feasibility and evaluation studies
Evaluate and Develop Biomass Feedstock Systems
- Whole crop harvesting and storage methods
- Biomass processing, moisture reduction and densification
- Food and energy crops rotation assessment
Second Generation Bio-energy Development
- Solid fuels combustion centre: design, testing and certification
- Biofuels production technology: processing, gasification and digestion
- Biofuels and bio-products end use: evaluation, testing and emissions
Systems Engineering
- Life cycle studies (agricultural and industrial)
- Pilot scale studies: processing, digestion, cogeneration, product and by-product utilization
- Value-added through co-products and by-products

Biodigester

In agricultural circles, biogas production is synonymous with manure management through the use of an anaerobic digestion system. However, scientific advancements in anaerobic digestion technology have expanded potential feedstocks to include crop and food processing residues to increase the potential biogas production levels.

A project was initiated this year, in collaboration with other scientists, to test the fertilizer value of hog manure after the digestion process. The study has yet to conclude; however, preliminary results are promising. According to Dr. Lemke and his team, "preliminary results suggest that land application of anaerobically digested swine manure can be as successful as conventionally treated swine manure in terms of the resulting agronomic performance." The results also indicate "that careful management of anaerobically digested swine manure may provide satisfactory agronomic performance with lower environmental impact."

Biodiesel and Engine Performance

Biodiesel is a renewable fuel produced from various feed stocks, like canola. Biodiesel can be blended with diesel fuel or burned as a fuel by itself.

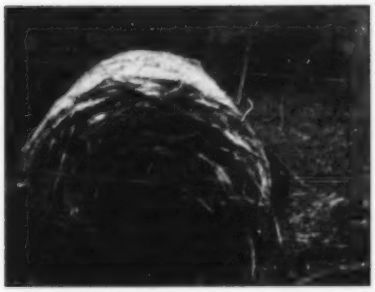
Because biodiesel fuel may affect diesel engine performance, comparison tests under controlled conditions were performed this year using different technical vintages of diesel engines with varying percentages of biodiesel blends. Engines designed for controlled emissions to standard tiers one, two and three as well as an older engine, not equipped for controlled emissions, were used with six biodiesel blends ranging from zero to 100 per cent. The tests included fuel consumption, power and emissions.

The good news for these tests is that the engines gave no loss of power or fuel economy with fuels up to 20 per cent biodiesel, indicating that the biodiesel, when used in moderate percentages, will be suitable fuel for agricultural operations.

This project is being carried out jointly by PAMI, the Manitoba Canola Growers Association, Westeel, Manitoba Hydro, Manitoba Agriculture, Food and Rural Initiatives, the Manitoba Rural Adaptation Council and Agriculture and Agri-Food Canada.

In another project, PAMI's Manitoba Operations contracted the Saskatchewan Research Council recently to build a dual-fuel farm truck. The truck runs biodiesel and crude ethanol together; the objective of the project is to test and demonstrate this system for the utilization of biofuels. This project is a beaming example of the importance of partnerships amongst provincial research organizations in moving overall strategies forward.

Short Rotation Coppice Willow Biomass



As a feedstock, Short Rotation Coppice Willow biomass is a relatively new source of fuel for heating systems. PAMI aims to provide information to consumers that removes barriers to using these types of renewable fuels. The intent is to spur the development of the biomass fuel sector, especially in the Prairie region.

An exhaustive study was conducted this year to identify equipment and practices for Short Rotation Coppice Willow production. This study provides an invaluable starting point for further development of this bio-energy resource.

Western Beef Development Centre

The 2007-08 fiscal year saw significant growth from the Western Beef Development Centre (WBDC). The centre combines animal and plant science with machinery engineering in collaboration with the Saskatchewan Operations of PAMI to research the many aspects of production in the cow/calf sector.

Operating the Termuende Ranch at Lanigan and a portion of the Pathlow Pasture near Melfort, the WBDC's handling facilities provide capacity for up to 400 cows and calves. Equipment and facilities were upgraded this year, including rejuvenation of the tractor fleet, bale processor, post driver and roller mill. Facility upgrades included the placement of grain bins on hopper bottoms, amongst other improvements.

With the assistance of a $1.1 million joint grant from the Saskatchewan Ministry of Agriculture and Agriculture and Agri-Food Canada, the WBDC began phasing in young Black Angus cows and cow/calf pairs to replace its cross-bred commercial herd in 2007. Working with a purebred herd will allow the centre to participate in genetic research in collaboration with industry and academic institutions.

The Western Beef Development Centre is funded and supported by a number of stakeholders. Saskatchewan's Ministry of Agriculture provides

Western Beef
Development Centre
Division of PAMI

base funding for operations and for select areas of strategic research. Saskatchewan's Horned Cattle Fund and the Prairie Farm Rehabilitation Administration (PFRA) provide a herd of research animals to the centre as well as the proceeds from the sale of calves from the herd. A number of funding agencies and producer groups provide project funding, including Saskatchewan Agriculture's Agriculture Development Fund and the Cattle Marketing Deductions Fund.

In addition to the expansion of facilities and operations, the WBDC carried out an aggressive slate of research work this year.

Backgrounding with Fall Grazing of Crops

This study factors economics, production potential and use in low-cost backgrounding systems for calves. The first phase is complete for the evaluation of annual forages. Highlights of the research were the excellent gains in barley swath grazing. Feedlot results at the University of Saskatchewan indicated good compensatory gains by millet-grazed calves. A graduate student will take over the research project in 2008.

Time of Calving Trials

This project evaluates the effects of early (March-April) compared to late (May-June) calving on beef cow and calf performance. The trials employ a systems approach to research. Not only does it examine the cows' performance at calving, nutrition levels and calf gains, but also calves' performance in backgrounding, on finishing diets, and carcass quality.

Evaluation of the first-year data of this three-year project is nearly complete. Carcass data from the 2007 steer calves will soon be available from the Brandon Research Centre, operated by Agriculture and Agri-Food Canada.

Low Cost Winter Feeding Systems

This project explores the economic potential of wintering beef cows in the field. The study compares three scenarios. Using electric fencing, cattle are allowed to graze balanced rations on a barley field from the swaths, bales or straw chaff piles with a protein supplement. Savings stem from the reduction in costs when dry-lot activities of hauling feed and removing waste are eliminated. First year data analysis revealed that swath grazing provided the highest savings of $0.40/day/head. In addition, nutrients are returned to the land by way of waste products.

Sulphate Water Treatment Project

In 2007-08, the Prairie Farm Rehabilitation Administration extended its funding for research to increase the potability of well water for livestock. The trial conducted by WBDC seeks to reduce the sulphate concentration using a microbiological bioreactor.

WBDC Future Directions

As an extension of the on-field winter grazing study, nutrient export research will be conducted whereby bales will be supplied on-field in small watersheds. Spring testing will determine the levels of nutrient absorption compared to runoff.

Also in the coming year, the WBDC proposes to partner with the University of Saskatchewan for a project under the Agricultural Bioproducts Innovation Program from Agriculture and Agri-Food Canada. The project will background yearlings on dry distillers' grain in a grazing program and supplement them on pasture.

The WBDC enjoys steady development and expansion, and will benefit from the addition of a beef economist. The centre looks to build on its economic analysis capability as it fulfills its mission to "maximize the profitability of the cow/calf industry in Saskatchewan."

WBDC Strategic Advisory Committee

Producers
Lorne Christopherson, Chair
Rick Toney
Tim Oleksyn
Mike Bartelen
Bob Ivey
Dale Sigurdson
Gary Wellbrock

Research Community
Dr. John McKinnon, U of S
Dr. Murray Jelinski, U of S

Government Departments and Agencies
Greg Haase,
Saskatchewan Ministry of Agriculture
Jim Armstrong,
Saskatchewan Ministry of Agriculture
Rick Gaube,
Prairie Farm Rehabilitation Administration
Dr. John Popp,
Manitoba Agriculture, Food and Rural Initiatives

Farm Safety

PAMI continues working with the Canadian Agricultural Safety Association (CASA) with special efforts on improving the safety of new and old farm equipment.

New Canadian Farm Machinery Safety Standards

National Standard of Canada

CAN/CSA-ISO 5673-1-07

Agricultural tractors and machinery — Power take-off drive shafts and power-input connection — Part 1: General manufacturing and safety requirements

ISO

Visit our Online Store at www.ShopCSA.ca

Farm machinery is the leading cause of agricultural injuries in Canada. Furthermore, research indicates that newer machinery is safer than older machinery; this can be attributed to the new safety standards that are used by machinery manufacturers.

The Canadian Standards Association (CSA) Agricultural Machinery committee is the only Canadian organization that develops and publishes farm machinery safety standards. Its work is vital to continue increasing the safety of farm machinery in Canada and thereby further reducing agricultural injuries.

PAMI applauds the on-going support provided by the Canadian Agricultural Safety Association for this worthwhile initiative, finding it to be an effective way to reduce farm machinery injuries.

Canadian Standard for Portable Augers

Augers are a significant cause of injury on Canadian farms. From 1990-2000, 602 auger-related injuries occurred, making augers the second highest cause of machinery-related injuries. Because unguarded intakes are the main cause of these injuries, PAMI has developed an auger intake guard that makes service and replacement a simpler task.

This year, PAMI initiated a research report in support of the development of a Canadian Standard for Portable Agricultural Grain Augers. This created interest south of the border and resulted in a joint standard, being targetted along with the American Society of Agricultural and Biological Engineers. The CSA standard will be published next year in both English and French.

Serving other Sectors and Regions

PAMI has gained international recognition for its independent testing and research activities. Agricultural safety work has also gained national recognition for PAMI. Safety projects conducted by PAMI are applicable to farm machinery across Canada and around the world.

PAMI's extensive experience with agricultural equipment provides an excellent base for PAMI staff to support other industries. PAMI assists provincial manufacturers in providing safe and reliable products to consumers. PAMI helps mechanical/electrical manufacturers remain competitive and efficient in their respective sectors by conducting product safety and standards compliance testing, third party evaluations and physical and field testing and design.

Mongolian Range Management

A key aspect of WBDC's mission is to check out other cattle producing regions of the world, to exchange information about the challenges of this industry. This allows WBDC's scientists to see firsthand the operations in other regions, and bring home ideas for implementation here.

Bart Lardner, a scientist with the WBDC, traveled with a small team to Mongolia in July 2007 to work with people from the university in Ulaanbaatar and the Mongolian government. Their mission was to deliver seminars on livestock, forage management and cropping.

While there, the team of Canadian experts encouraged the Mongolian government to set up a range management branch to work with the herders.

During the trip, Lardner acted as a judge, alongside Mongolian dignitaries, at a livestock field day. The cattle in Mongolia are different from Canadian breeds; they are adapted to a drier, less lush grazing environment. Interest was shown regarding the potential to cross-breed with Canadian cattle.

Lardner also visited a Canadian-run farm in the north of the country called Gatsuurt Farm. The operation, which is managed by

a Canadian and hires Mongolian labourers, is an experimental farm, growing peas, canola, wheat and barley. Gatsuurt Farm is also raising livestock. With 1200 cows already, the operation is in the process of building a 3000-head feed lot. A highlight of Lardner's trip to this farm was the realization that the operation has been using WBDC factsheets since the outset.

Street Sweeper Tests

PAMI is currently the only test agency that is approved to test street sweepers with a procedure called RULE 1186 that was developed in California. This service is valued by the industry and municipalities alike, and PAMI currently has a Winnipeg manufacturer scheduled for testing next year.

Because of this expertise, PAMI has also been invited to work with the City of Toronto, the City of Hamilton and ETV Canada to develop a new street sweeper protocol. While it will apply to all sweeper technologies, it is especially applicable to the regenerative air technology that uses pneumatic vacuum to pick up debris instead of mechnical brooms. This technology is capable of picking up the very fine dust that older sweepers did not. The fine dust, if not picked up, can become airborne from traffic and increase dust-related health problems, especially in larger centres. The new protocol intends to quantify the performance of these new technology machines.

Peacekeeping and Defence

Source: ©Department of National Defence, 2007

PAMI has a Memorandum of Understanding with the Department of National Defence (DND) and its research arm, Defence Research and Development Canada.

Through the memorandum, PAMI and DND exchange engineering information and capabilities to support DND programs and troops deployed overseas.

ROPS Pilot Project in British Columbia

The Rollover Protective Structure project objective was to install ROPS on 50 tractors in British Columbia. Working with the Farm and Ranch Safety and Health Association (FARSHA), the aim was to determine from this experience what would be the best approach for providing an effective, inexpensive ROPS to all BC farmers and ranchers.

This project is ongoing. The results of the project will be documented and reported to the industry upon completion in 2009. A social marketing campaign will be conducted to promote the use of ROPS and the new models available. Recommendations for a long term ROPS program in BC, and nationally, will be derived from this project.

Information Services

One of PAMI's main objectives is information sharing. Using a number of communication tools, PAMI connects with producers, clients and researchers, providing valuable information through media and publicly issued news releases and articles, research summaries and detailed reports.

The PAMI, WBDC and Western Canada Testing Incorporated (WESTEST) websites remain an important source of information, making valuable factsheets and reports available to producers and the public.

PAMI staff members also present at trade shows, seminars, conferences and industry meetings throughout the year, sharing information with other delegates and concerned audiences.

WESTEST

Western Canada Testing Incorporated (WESTEST) is an engineering and testing corporation which was created by five organizations and firms. Although PAMI has no ownership in WESTEST, it helped in its creation and provides all operating functions of the corporation under a management agreement with the owners.

Since its inception in 1991, WESTEST has acquired a considerable inventory of specialized test equipment. WESTEST facilities continue to provide significant benefit to manufacturers in the transportation, agriculture and other related industries. WESTEST is guided by a board of directors of its owners, and is ISO 9001:2000 registered.

WESTEST is jointly owned by the Agricultural Manufacturers of Canada Association, Manitoba Hydro, the Saskatchewan Mining Association, Case New Holland Global and John Deere.

WESTEST Expansion

In February 2008, Western Economic Diversification Canada announced $1.6 million in funding to support WESTEST's Manitoba Operations in its construction of a vehicle performance test lab. The lab will provide Western Canada's transportation-manufacturing industry with specialized vehicle and engine testing capability.

The WESTEST expansion will enable the transportation-manufacturing industry in Western Canada to produce world-class vehicles with alternative fuel capabilities.

WESTEST will be able to carry out performance and durability testing at early stages in the research and development cycle, speeding up commercialization and providing competitive advantages for local companies and original equipment manufacturers. The facility will also enable WESTEST to develop alternative fuel evaluation capacity, particularly in the area of biodiesel research.

WESTEST Board of Directors

Jerry Engel, Chair
Roger Ludwick, Vice-Chair
Pamela Schwann
Robert Malcolm
Don Watt
Ken Swaving
Brad Nelson
Carol Vibert
Gary Anderson

Agricultural Partnerships

Managing partnerships with government, industry and other organizations is an important part of PAMI's service to the agricultural industry. Operating in a knowledge-based environment that requires a continuing exchange of information, PAMI has ongoing partnerships with the Universities of Saskatchewan and Manitoba, the Saskatchewan Forestry Centre, Canadian Agricultural Safety Association, Agricultural Manufacturers of Canada and various producer associations.

PAMI values its relationships with its partners in the agricultural sector. It is from these partners that PAMI gets its sense of where the industry is going, and how it needs to position itself to help fuel agricultural prosperity.

Obviously, the connections between PAMI, WESTEST and the WBDC are valuable and inter-beneficial collaborations. There are many other organizations to which PAMI is grateful: Government of Saskatchewan, Government of Manitoba, Government of Canada, Greencover Canada Technical Assistance Program, Natural Resources Canada, Canada-Saskatchewan Farm Stewardship Program and Saskatchewan Research Council.

PAMI Staff

Corporate Management Team

Gullacher, David	President/Chief Executive Officer
Forer, Joanne	Vice President, Finance and Administration
Chorney, Harvey	Vice President, Manitoba Operations
Jefferson, Dr. Paul	Vice President, Western Beef Development Centre
Wassermann, James	Vice President, Saskatchewan Operations

Administrative and Financial Services

Bergermann, Carol	Controller
Britz, Myrna	Administrative Assistant
Emerson, Wendy	Administrative Supervisor, Quality Systems Coordinator
Haeusler, Marina	Resource Scheduler
Lepage, Dianne	Administrative Assistant
Malinski, Marilyn	Accounting Supervisor
Szautner, Laurie	Administrative Supervisor, Quality Systems Coordinator

Communications Services

Doepker, Sharon	Research Librarian
Freistadt, Brenda	Communications Assistant
Sarauer, Allison	Administrative Assistant

Western Beef Development Centre

Froehlich, Leah	Ranch Research Technician
Lardner, Dr. Herbert	Senior Research Scientist
Nelson, Jonathan	Assistant Ranch Supervisor
Pearce, Jonathan	Ranch Hand
Taylor, Dr. Karen	Beef Economist
Widdifield, George	Ranch Supervisor

Technical Services

Agricultural Production, Harvesting, Energy, Processing, Industry, Resources, Defence, Mechanical Engineering and Package Testing

Bjarnason, Tyrell	Project Leader
Burton, Gregory	Computer and Electronics Supervisor
Carmichael, Ken	Computer Systems Administrator, Instrumentation Supervisor
Carr, Terry	Assistant Manager, Package Testing
Cropper, Robert	Project Leader
Funk, Les	Project Technologist
Gregg, Nathan	Project Leader
Grieger, Lorne	Manager, Agriculture Research and Development
Harmon, Jason	Computer Systems Administrator
Hergott, Brent	Project Leader
Hill, Les	Manager, Business Development/Technical Services
Hultgreen, Gordon	Project Leader
Jorgenson, Larry	Project Leader
Kelly, Dave	Project Leader
Kolenosky, Ryan	Electronics Technologist
Kosokowsky, Murray	Project Leader
Landry, Dr. Hubert	Project Leader
Leduc, Philip	Senior Manager, Research and Development
Lucyshyn, Troy	Manager, Industry and Resources
Lung, Patricia	Project Leader
Lung, Bryan	Project Leader
Marianchuk, Mark	Project Leader
Rhodes, Peter	Project Leader
Rude, Derek	Project Leader
Stock, Wayne	Project Leader
Swiddle, Steve	Manager, Mechanical Testing

Shop Services

Bay, Ted	Supervisor
Cleaver, Cam	Shop Technician
Doepker, Gordon	Maintenance
Gaudreau, Aaron	Maintenance
Hill, Charles	Fabricator
Perlett, Darryl	Fabricator
Rauert, Andrew	Fabricator
Smith, Art	Supervisor
Thiemann, Blair	Fabricator

PAMI: The year at a glance

Ag Partnership

- 184 activities
- Development of bio-economy
- Beef and forage
- Ag-sector future visioning
- Safety
- Tech committees
- 9 Minister, MLA, MP visits

Strategy

- Strategic plan 2007
- 7 objectives
- 3 key business units
- 4 external linkages and internal processes

Information Services

- Producer info sheets
- Research papers
- Tradeshows
- News releases
- Website upgrades
- Media interviews
- WBDC field day

Ag Research

- 40 projects
- $2.3 M project value
- Areas of work:
  - 16 bio-energy/products
  - 12 cattle and forage
  - 4 manure management
  - 3 grain production
  - 5 other
- $60 M economic impact*
- 500 jobs*

Learning and Growth

Staffing:
- VP Finance and Admin succession
- Beef economist
- Bio-energy specialist
- 56 staff
- PAMI now 8% PhD

Analytical Modeling:
- Engineering
- Economics
- Development and training

WESTEST

- $1.8 M vehicle centre
- $606,000 project revenue

Ag Development

- 13 projects
- $570,000 project value
- Areas of work:
  - grains/oilseeds machinery
  - bio-products development
  - safety
  - $8 M economic impact*
  - 60 jobs*

Other Projects

- 211 projects
- $5.2 M project value
- Areas of work:
  - military equipment testing
  - package engineering/testing
  - vehicles and transportation equipment
  - safety testing
- $9 M economic impact*
- 70 jobs*
- $400,000 reinvestment in agriculture

*Economic impact figures are estimates made by PAMI.

Management and Auditor's Reports

Management Report

To the Members of the Legislative Assembly of Saskatchewan:

Year Ended March 31, 2008

The accompanying financial statements are the responsibility of the management of the Prairie Agricultural Machinery Institute. They have been prepared in accordance with Canadian generally accepted accounting principles, using management's best estimates and judgments, where appropriate.

Management is responsible for the reliability and integrity of the financial statements, the notes to the financial statements, and other financial information contained in this report. Management is also responsible for maintaining a system of internal controls, policies and procedures designed to provide reasonable assurance that assets are safeguarded and the accounting systems provide accurate and reliable financial information.

The Board of Directors is responsible for ensuring that management's responsibilities are properly discharged, to review and approve the financial statements. The Provincial Auditor of Saskatchewan has audited PAMI's financial statements in accordance with Canadian generally accepted auditing standards and his report follows.

David Gullacher
President and CEO

Joanne Forer
V.P. Finance and Administration

Financial Statement Audit Report

To the Members of the Legislative Assembly of Saskatchewan:

I have audited the balance sheet of Prairie Agricultural Machinery Institute as at March 31, 2008 and the statements of revenues, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 20, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Legislative Compliance Audit Report

To the Members of the Legislative Assembly of Saskatchewan:

I have made an examination to determine whether the Prairie Agricultural Machinery Institute, complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended March 31, 2008:

The Prairie Agricultural Machinery Institute Act, 1999
The Prairie Agricultural Machinery Institute Regulations, 1999
Orders in Council issued pursuant to the above legislation
Ministers Order's pursuant to the above legislation

My examination was made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, the Prairie Agricultural Machinery Institute has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended March 31, 2008.

Regina, Saskatchewan
June 20, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Internal Control Audit Report

To the Members of the Legislative Assembly of Saskatchewan:

I have audited Prairie Agricultural Machinery Institute's control as of March 31, 2008 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of Prairie Agricultural Machinery Institute's control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

Prairie Agricultural Machinery Institute's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by the CICA. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of Prairie Agricultural Machinery Institute's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, Prairie Agricultural Machinery Institute's control was effective, in all material respects, to meet the objectives stated above as of March 31, 2008 based on the CICA criteria of control framework.

Regina, Saskatchewan
June 20, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Financial Statements

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
BALANCE SHEET
As at March 31

Statement 1

	2008	2007
Assets		
Current:		
Cash	$ 493	$ 3,495
Due from General Revenue Fund (Note 4)	67,637	1,096
Accounts receivable	2,346,934	1,777,718
Prepaid expenses	117,998	147,566
Grant receivable	30,000	150,000
Inventory	61,385	41,070
	2,624,447	2,120,945
Restricted cash	3,732,823	5,000
Property, plant and equipment (Note 5)	3,252,275	3,127,939
Breeding Herd (Note 6)	364,430	-
Intangible assets (Note 7)	59,195	88,792
	$ 10,033,170	$ 5,342,676
Liabilities and Net Assets		
Current:		
Bank indebtedness (Note 8)	$ 153,764	$ 348,046
Accounts payable and accrued liabilities	1,044,150	1,038,918
Unearned revenue	225,198	169,239
	1,423,112	1,556,203
Deferred capital grants	2,570,377	1,739,581
Due to Government of Alberta (Note 9)	23,938	23,938
Deferred grant revenue – ABC (Note 10)	3,364,032	-
	5,958,347	1,763,519
Total liabilities	7,381,459	3,319,722
Net assets (Statement 2)	2,651,711	2,022,954
	$ 10,033,170	$ 5,342,676

Commitments (Note 11)
See accompanying notes to the financial statements.

Statement 2

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF REVENUES, EXPENSES AND NET ASSETS
Year Ended March 31

	Budget (Note 16)	2008	2007
Revenues			
Provincial transfers:			
Government of Saskatchewan			
Ministry of Agriculture			
- operating	$ 600,000	$ 600,000	$ 750,000
- capital	151,000	300,801	150,590
- ABC (Note 10)	-	68,430	-
Agri-food Innovation Fund	325,000	330,000	355,818
Horned Cattle Fund (Note 14)	150,000	86,620	120,720
Government of Manitoba			
Department of Agriculture, Food and Rural Initiatives	259,680	259,682	259,682
	1,485,680	1,645,533	1,636,810
Fee for service	5,478,588	6,821,168	5,532,004
Interest income	-	7,780	2,500
Other income	22,300	90,313	71,387
Total revenues	6,986,568	8,564,794	7,242,701
Expenses			
Salaries and benefits	3,610,132	3,959,293	3,239,827
Other operating	3,037,188	3,602,303	3,343,278
Amortization	285,000	374,441	267,188
Total expenses (Schedule 1)	6,932,320	7,936,037	6,850,293
Excess of revenues over expenses	54,248	628,757	392,408
Net assets, beginning of year	2,022,954	2,022,954	1,630,546
Net assets, end of year (Statement 1)	$ 2,077,202	$ 2,651,711	$ 2,022,954

See accompanying notes to the financial statements.

Statement 3

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended March 31

	2008	2007
Cash flows from (used in) operating activities:		
Receipts from customers and others	$ 6,376,132	$ 5,615,456
Transfers from Government of Saskatchewan	4,569,082	1,020,720
Transfers from Government of Manitoba	259,682	259,682
Payments to suppliers and employees	(7,483,255)	(6,431,090)
Interest paid	(8,921)	(26,855)
Interest received	7,780	2,500
	3,720,500	440,413
Cash flows from (used in) investing activities:		
Purchase of property, plant and equipment	(881,203)	(178,497)
Proceeds from sale of property, plant and equipment	14,750	650
	(866,453)	(177,847)
Cash flows from (used in) financing activities:		
Receipt of capital grants from Government of Saskatchewan	1,131,597	-
Decrease (increase) in restricted cash	(3,727,823)	55,818
	(2,596,226)	55,818
Net increase in cash position	257,821	318,384
Cash position, beginning of year	(343,455)	(661,839)
Cash position, end of year	$ (85,634)	$ (343,455)
Comprised of:		
Cash	$ 493	$ 3,495
Due from General Revenue Fund	67,637	1,096
Bank indebtedness	(153,764)	(348,046)
	$ (85,634)	$ (343,455)

See accompanying notes to the financial statements.

Notes to the Financial Statements

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute, PAMI) is a body corporate operating under *The Prairie Agricultural Machinery Institute Act, 1999*. Its primary purpose is to perform tests and conduct research on machinery, equipment and technologies used in the agriculture and food industries. The Institute's testing facilities are located in Humboldt and Lanigan, Saskatchewan and Portage la Prairie, Manitoba.

On wind-up, any net assets will be divided between the Governments of Saskatchewan and Manitoba in proportion to their respective share in the Institute's assets equivalent to the percentage of funding provided to date by each province.

The Institute relies on funding from the Governments of Saskatchewan and Manitoba and on one customer for continued fee for service revenue. This customer accounts for 50% (2007- 59%) of its fee for service revenue.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

a) Revenue Recognition

The Institute recognizes provincial transfers when received or receivable. The Institute's operations are funded by the Government of Saskatchewan (Saskatchewan) and the Government of Manitoba (Manitoba) according to an agreement between the two provinces. Under Order in Council 1800/79, the Institute is not required to return the unused portion of the provincial transfers.

The Institute recognizes fee for service revenue when the related services are provided. It recognizes fee for service on contracts and subscriptions using the percentage of completion method. It records monies received prior to providing services and subscriptions received for future periods as unearned revenue.

The Institute defers capital grants received from related parties for property, plant and equipment until the related assets are put in use and amortized. It recognizes capital grants as revenue equal to the amount of amortization charged for those assets. Unspent capital grants are recorded as restricted cash.

The Institute defers grants received from the Ministry of Agriculture for the purchase of a beef research herd and the establishment of the PAMI Applied Bioenergy Centre (ABC) and related interest earned. Interest earned on these amounts is recorded in deferred capital grants and deferred grant - ABC respectively. It recognizes grants received as funds are used for the intended purpose. Unspent grants are recorded as restricted cash.

b) Inventory

Inventory is valued at the lower of cost and net realizable value.

c) Property, Plant and Equipment, Leasehold Improvements

Property, plant and equipment, and leasehold improvements costing over $1,000 are recorded at cost less accumulated amortization. Self-constructed assets are recorded at cost, including labour and materials. Amortization is recorded using

methods and rates intended to amortize the cost of assets over their useful life.

	Method	Rate
Buildings	declining balance	5%
Equipment, furniture, and vehicles	declining balance	10%
Computer equipment	declining balance	30%
Leasehold Improvements	straightline	10%

d) Intangible Assets

Intangible assets are recorded at cost less accumulated amortization. These assets are being amortized over their estimated useful life of five years.

e) Breeding Herd

The breeding herd is recorded at cost. This asset is being amortized at 20% declining balance.

f) Financial Instruments

Financial instruments are classified into one of the following categories: held for trading, held to maturity, available for sale, loans and receivables, and other financial liabilities. PAMI has no financial instruments classified as held to maturity or available for sale. There are no financial instruments which give rise to other comprehensive income.

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition or adoption of CICA 3855 *Financial Instruments – Recognition and Measurement*, even if that instrument would not otherwise satisfy the definition of held for trading. The Institute has classified the following financial assets and liabilities as held for trading: cash, due from General Revenue Fund, restricted cash and bank indebtedness.

Held for trading financial instruments are subsequently measured at their fair value.

Loans and receivables:

The Institute has classified the following financial assets as loans and receivables: accounts receivable and grant receivable. These assets are initially recognized at their fair value approximated by the instrument's initial cost.

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Net gains and losses arising from changes in fair value include interest income and are recognized in net income upon derecognition or impairment.

Other financial liabilities:

The Institute has classified the following financial liabilities as other financial liabilities: accounts payable and accrued liabilities and due to Government of Alberta. These liabilities are initially recognized at their fair value approximated by the instrument's initial cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial asset impairment:

The Institute assesses impairment of all its financial assets, except those classified as held for trading. Management considers

many factors in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in current year earnings.

g) Use of Estimates

These statements are prepared in conformity with Canadian generally accepted accounting principles. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates. Differences are reflected in current operations when identified.

3. Change in Significant Accounting Policies

a) Financial Instruments

Effective April 1, 2007, the Institute adopted The Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. The new requirements were applied prospectively and prior periods have not been restated.

CICA 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3862 *Financial Instruments - Disclosures* and CICA 3863 *Financial Instruments - Presentation* discusses the presentation and disclosure of these items. Financial instruments are defined as a contractual right to either receive or deliver cash or another financial instrument to another party.

As described in *Significant Accounting Policies*, Note 2, the Institute recognizes its held for trading financial assets and liabilities at their fair value. Prior to this classification, required at the time the Institute adopted the Financial Instruments standards, these items were recognized at their cost, adjusted for any permanent impairment. There was no effect of this change in accounting policy in the current period.

As described in *Significant Accounting Policies*, Note 2, the Institute recognizes its loans and receivables and other financial liabilities at their amortized cost, using the effective interest method. Prior to this classification, required at the time the Institute adopted the Financial Instruments standards, these items were recognized at their cost, adjusted for any permanent impairment. There was no effect of this change in accounting policy in the current period.

4. Due from General Revenue Fund

Due from General Revenue Fund is money held in a bank account included in the Government of Saskatchewan's Consolidated Offset Bank Concentration arrangement. The Institute receives interest on a quarterly basis from the General Revenue Fund calculated using the Government of Saskatchewan's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2008, the average interest rate was 4.08% (2007 – 4.15%).

5. Property, Plant and Equipment

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 4,169,518	$ 2,407,162	$ 1,762,356	$1,851,065
Equipment	2,204,720	1,310,572	894,148	723,945
Land and improvements	279,841	-	279,841	279,841
Furniture	150,824	121,644	29,180	25,351
Vehicles	438,660	260,998	177,662	155,175
Computer equipment	420,611	337,050	83,561	92,562
Leasehold improvements	28,363	2,836	25,527	-
	$ 7,692,537	$ 4,440,262	$ 3,252,275	$ 3,127,939

6. Breeding Herd

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Breeding Herd	$ 455,538	$ 91,108	$ 364,430	-

The breeding herd consists of cows that will be used for beef research in the operations of the Western Beef Development Centre.

7. Intangible Assets

	2008			2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Intangible assets	$ 147,987	$ 88,792	$ 59,195	88,792

As part of the transfer of the operations of Western Beef Development Centre to PAMI, the Institute obtained the Centre's trade name, logo and mailing lists for its use in future operations.

8. Bank Indebtedness

The Institute is authorized to borrow up to $1.0 million under its legislation. The Institute has established a line of credit of $800,000 with a bank and assigned its accounts receivable as collateral. It incurs interest at the bank's prime rate.

9. Due to Government of Alberta

When the Government of Alberta terminated its participation in 1988, the Institute, by agreement, owed Alberta 35% of the Institute's net assets as of March 31, 1988. In lieu of transferring net assets to the Government of Alberta, the Institute has agreed to perform services for Alberta. Due to the nature of this payable, its fair value cannot be readily determined.

10. Deferred Grant Revenue – Applied Bioenergy Centre (ABC)

In March 2007, PAMI and the Ministry of Agriculture (Ministry) signed a Memorandum of Understanding (MOU) under which PAMI received $3.3 million to create a research chair in bio-energy and processing. PAMI received the funds in April 2007. Pursuant to the MOU, PAMI and the Ministry were to negotiate an agreement which established guidelines on how the $3.3 million would be spent. Given that an agreement has not been finalized, these funds, along with accumulated interest, have been deferred. During 2007-08, PAMI received approval from the Ministry to charge $68,430 against this account to cover certain project costs.

Balance, beginning of year	$	3,300,000
Accumulated Interest		132,462
Grant earned		(68,430)
Balance, end of year	$	3,364,032

11. Commitments

The Institute has committed to provide future services to several research and development projects. At March 31, 2008, the value of these services totals $183,074 (2007 - $222,490).

Lease terms on equipment and land range from 3 to 10 years. In 2008, these lease costs totalled $50,109 (2007 - $53,083). The Institute is required to make the following minimum lease payments on these leases:

2009	$	49,015
2010		23,131
2011		19,638
2012		9,687
2013		5,413
2014		223

12. Financial Instruments

a) Fair Value of Financial Instruments

The fair value of the following financial assets and liabilities approximates their carrying value due to their short-term nature:

Cash, restricted cash and due from General Revenue Fund;
Accounts receivable and grant receivable;
Bank indebtedness; and
Accounts payable and accrued liabilities

Canadian generally accepted accounting principles require the disclosure of fair value of information for all financial instruments, except in cases where time and cost constraints make such information too difficult to reliably determine. Because relevant and reliable fair value information was not obtainable, the Institute has not disclosed the fair value of Due to Government of Alberta as the instrument is not traded in an active market.

b) Credit Risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The credit risk on these accounts receivable is minimal because most contracts are with provincial and/or federal governments or well-established large private companies.

c) Risk Management Policy

Although PAMI does not have a risk management policy, the Institute has approved a number of policies relating to risk management including Quality Assurance.

d) Liquidity Risk

Liquidity risk is the risk that the Institute will encounter difficulty in meeting obligations associated with financial liabilities. The Institute enters into transactions to purchase goods and services on credit. Liquidity risk is measured by reviewing the Institute's future net cash flows for the possibility of a negative net cash flow. The Institute manages the liquidity risk resulting from its accounts payable by establishing a $800,000 line of credit.

13. Related Party Transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. The Institute is also related to all Manitoba Crown agencies because of the Government of Manitoba's participation in the operations of the Institute. In addition, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

		2008		2007
Financial statements category				
Fee for service revenue	$	1,426,196	$	599,930
Operating expenses		741,440		572,045
Accounts receivable		616,969		20,840
Accounts payable and accrued liabilities		93,535		67,405
Unearned revenue		128,805		153,928
Grant Receivable		30,000		150,000

PAMI has leased land from the University of Saskatchewan for a nominal amount until 2012. In addition, the Institute pays Saskatchewan and Manitoba provincial sales tax on its taxable purchases made in those provinces. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

14. Contractual Arrangements

Under contract with Western Canada Testing Inc. (WESTEST), the Institute manages and operates WESTEST under the direction of WESTEST's Board of Directors for a certain percentage of the service fees from WESTEST clients. During the year, the Institute earned fee for service revenue of $502,494 (2007 - $426,781) from WESTEST. At year-end, accounts receivable includes $141,513 (2007 - $76,391) due from WESTEST.

The Institute has an agreement with the Horned Cattle Fund (a related party) for the use of the Fund's herd of 300 head of cattle. The Institute is responsible for the care, feeding, housing and management of the herd. In September 2007, an agreement was entered into whereby PAMI shall return to the province or arrange for the sale of 100 cows per year at the option of the Province. The proceeds from the sale of the cows belongs to Horned Cattle Fund. PAMI receives proceeds from the sale of the Horned Cattle Fund calves.

15. Pensions

The Institute's employees participate in either the Saskatchewan Public Service Superannuation Plan, a multi-employer defined benefit pension plan, or the Saskatchewan Public Employees Pension Plan, a multi-employer defined contribution pension plan. The Institute's responsibility is limited to paying the required employer contributions for its employees. Salaries and benefits include contributions of $172,469 (2007 - $114,875).

16. Budget

The budget for 2007/2008 was approved by the Board on March 22, 2007.

17. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

18. Contingency

At year-end an action was outstanding against the Institute, of which the ultimate outcome is not yet determinable and accordingly, no liability has been recorded in the financial statements.

Schedule 1: PAMI Schedule of Expenses

Year Ended March 31

	Budget (Note 16)	**2008**	**2007**
Salaries and benefits	$ 3,610,132	$ 3,959,293	$ 3,243,898
Shop supplies	984,855	1,400,082	1,148,989
Contractual services	621,102	823,592	789,671
Amortization	285,000	374,441	267,188
Travel and vehicle operations	427,261	300,749	269,822
Insurance, licences and property taxes	241,640	245,852	222,728
Utilities	155,000	146,905	132,905
Farm expense	80,000	134,536	133,472
Stationery and office supplies	106,654	118,318	154,667
Computer services	90,000	100,874	99,930
Repairs and maintenance - building and equipment	72,000	86,649	141,451
Telephone	56,000	62,315	54,705
Lease – land and equipment	56,000	46,379	48,911
Advertising and promotion	52,000	38,539	53,212
Loss on disposal of assets	-	32,843	9,702
Bad debt expense	21,000	22,092	7,777
Professional and technical services	21,040	16,168	16,812
Reference material	18,386	12,732	13,092
Interest expense	15,250	8,921	26,855
Honoraria	8,000	3,082	6,195
Printing and binding	11,000	1,675	8,311
	$ 6,932,320	$ 7,936,037	$ 6,850,293

PAMI - Corporate Services
Box 1150, 2215 8 Avenue
Humboldt SK S0K 2A0
Phone (306) 682-2555
Fax (306) 682-5080
Email pami@sasktel.net

PAMI - Saskatchewan Operations
Box 1150, 2215 8 Avenue
Humboldt SK S0K 2A0
Phone (306) 682-5033
Fax (306) 682-5080
Email humboldt@pami.ca

PAMI - Manitoba Operations
Box 1060, 390 River Road
Portage la Prairie MB R1N 3C5
Phone (204) 239-5445
Fax (204) 239-7124
Email portage@pami.ca

WBDC - Main Office
Box 1150, 2215 8 Avenue
Humboldt SK S0K 2A0
Phone (306) 682-3139
Fax (306) 682-5080
Email wbdc@pami.ca

WBDC - Research Farm
Box 700
Lanigan SK S0K 2M0
Phone (306) 365-3386
Fax (306) 365-3374